

**VIRGINIA SMALL BUSINESS FINANCING AUTHORITY/  
VIRGINIA DEPARTMENT OF MINORITY BUSINESS ENTERPRISE**

**PROVIDING ACCESS TO CAPITAL FOR ENTREPRENEURS  
LOAN GUARANTY PROGRAM**

**Application Instructions**

**GENERAL INFORMATION:**

The Virginia Small Business Financing Authority's (VSBFA) *Loan Guaranty Program* is designed to assist Virginia's small businesses in obtaining the capital they need to improve and expand their operations and thereby create new job opportunities within the Commonwealth. The Virginia Small Business Financing Authority (VSBFA) is the servicing agent for the Department of Minority Business Enterprise (DMBE) and administers the program..

**Eligible Borrowers:**

Under the program, VSBFA will guarantee a portion of a loan made by a Bank to an eligible small business. A "small business" as defined by the VSBFA must meet one of the following requirements: 1) have 250 or fewer employees, or 2) less than \$10,000,000 in annual gross revenues over each of the last three fiscal years, or 3) have less than \$2,000,000 in net worth. In addition, the Borrower is a Virginia business whose majority ownership is held by Socially or Economically Disadvantaged Individuals. ("Socially disadvantaged individuals" shall be defined as individuals who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as members of a group. Social disadvantage must stem from circumstances beyond their control. In the absence of evidence to the contrary, individuals who are members of the following designated groups are presumed to be socially disadvantaged: African-Americans, Hispanic-Americans, Native Americans (including American Indians, Eskimos, Aleuts, and Native Hawaiians), Asian Pacific Americans (persons with origins from Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, U.S. Trust Territory of the Pacific Islands (Republic of Palau), Commonwealth of the Northern Mariana Islands, Laos, Cambodia (Kampuchea), Taiwan, Burma, Thailand, Malaysia, Indonesia, Singapore, Brunei, Republic of the Marshall Islands, Federated States of Micronesia, Macao, Hong Kong, Fiji, Tonga, Kiribati, Tuvalu, or Nauru); Subcontinent Asian Americans (persons with origins from India, Pakistan, Bangladesh, Sri Lanka, Bhutan, the Maldives Islands or Nepal), and members of other groups designated by the SBA. "Economically disadvantaged individual" shall be defined as an individual whose ability to compete in the free market has been impaired due to diminished capital and credit opportunities as compared to others in the same or similar line of business and competitive market area. In order to meet the test for economic disadvantaged, an individual must have a net worth of less than \$250,000, excluding the equity of the business and personal residence.)

**Eligible Loans:**

Typical borrowings include revolving lines of credit to finance accounts receivable and inventory, and loans for working capital and fixed asset purchases, e.g., office or research equipment. VSBFA will not guarantee financing which represents a refinancing of existing debt.

**Maximum Guaranty:**

VSBFA's maximum guaranty is \$50,000 or 90% of the loan amount, whichever is less, with a maximum relationship guaranty of \$50,000.

**Guaranty Terms:**

A. Term loans:

Expiration of the VSBFA guaranty: The VSBFA guaranty of a term loan is for a maximum of five years from the date of the note, at the conclusion of the term of the loan, or at the retirement of the debt, whichever shall first occur.

B. Lines of credit:

Maximum term: In general, a line of credit will be guaranteed for one year or less, depending on the company's fiscal year end (see "Expiration of the VSBFA guaranty" below).

Expiration of the VSBFA guaranty: The expiration of the VSBFA guaranty of a line of credit will be established to allow the Bank sufficient time for receipt and review of the Borrower's year end financial statements. Since Banks will generally require receipt of the company's financials within 120 days of year-end, the VSBFA guaranty will generally have an expiry of 30 days after the Bank's receipt of financials or a maximum of 150 days (5 months) after the Borrower's year end. A line can be guaranteed for up to five years.

**Guaranty Renewals:**

A. Term loans:

In general, the guaranty of a term loan may not be renewed beyond the original approved term.

B. Lines of credit:

Annual renewals of the VSBFA guaranty:

VSBA anticipates that Borrowers in the Loan Guaranty Program will be able to strengthen their financial or operating condition within a five-year period and thereby "graduate" out of the program and qualify for conventional financing. However, there may be occasions when a Borrower is still unable to meet the Bank's conventional underwriting criteria within the five-year time frame. The Borrower's inability to meet these underwriting guidelines could result from, for example, an economic downturn within the industry, region or general economy or a significant event that compromises the company's financial integrity, such as the loss of a major customer.

In these cases, a participating Bank may request the renewal of VSBA's guaranty for a line of credit beyond the stated five-year maximum. In addition to the usual application information, VSBA will require the following to accompany requests for renewals beyond a five year period:

- Bank's assessment of why the Borrower has not been able to graduate from the Loan Guaranty Program. Bank should cite events that contributed to the Borrower's inability to improve its financial condition.
- Bank's defined and measurable plan of action for either: i) helping the Borrower attain greater financial strength; or ii) exiting the relationship.
- Bank's plan for loan structuring to protect the interests of the Bank and VSBA, i.e., additional collateral, additional guarantees, financial covenants, etc.
- Bank's plan for loan monitoring, i.e., greater frequency of monitoring financial reports, collateral reports, agings, collateral audits, direct assignment of collections, etc.
- Bank's assessment of any possible losses to be realized from the relationship.

Temporary extensions of the expiration date:

Temporary extensions (30 or 60-day) of VSBA's guaranty beyond the expiration date to allow the Bank time to process its internal approval will be considered on a case-by-case basis with an explanation from the Bank of the circumstances which prevented it from meeting VSBA's normal application renewal deadline.

In the event the Bank has decided to not renew a Borrower's line of credit, VSBFA may be requested to provide an interim renewal of the VSBFA guaranty to allow the Borrower time to relocate the debt or for the Bank to conduct an orderly workout or liquidation of the debt. VSBFA will consider these interim renewals on a case-by-case basis in the interest of preserving VSBFA's and the Bank's capital, and not (unjustly) compromising the Bank or, in the case of debt relocation, the Borrower.

**Interest Rate:**

The interest rate is set by the Bank. The interest rate may be either fixed at the time of loan disbursement, or adjusted periodically as the prime rate changes.

**INSTRUCTIONS:**

1. The Borrower must submit to a Bank a completed Borrower's Loan Application and all required financial information. This should provide the Bank with enough information to consider the loan request.
2. If the Bank determines that VSBFA's guaranty is necessary in order to provide the financing requested, the Bank must complete the enclosed P.A.C.E. Bank's Application for Guaranty. Banks are encouraged to contact a VSBFA representative before submitting the application to discuss eligibility of the proposed financing.
3. The Bank should submit to VSBFA at the address below the original Borrower's Loan Application and the Bank's Application for Guaranty, and....
  - the Bank's credit memo and financial analysis;
  - three years of historical financial statements and an interim statement (within 90 days) certified by an officer of the company or the owner. If the financials are compiled, it is recommended that they be supported by tax returns.
  - spreadsheets (including financial ratios) of the company's financial statements, if prepared by the Bank.
  - personal financial statements and credit reports for all principals and tax returns, including all schedules.
  - one original copy for all other supporting documents;
  - copy of bank's commitment letter. If not available, a copy of bank's approved internal term sheet;
  - \$30 application fee.

**GUARANTY FEE:**

For approved and closed loans/lines, an upfront guaranty fee of 1.0% of the guaranteed portion of the loan or line must be remitted to VSBFA by the Bank at the time of loan closing. The Bank may require that the application fee and the guaranty fees be paid by the borrower.

**BORROWERS AGREEMENT:**

A VSBFA P.A.C.E. Borrower's Agreement form is included in the application materials for the Bank's review. Should the guaranty be approved, the Borrower will be required to execute an original Agreement at loan closing, which will be returned to VSBFA by the Bank.

**RENEWALS:**

In the event the Bank requests a renewal of an existing VSBFA guaranty, the Bank must submit an updated borrower's P.A.C.E. Loan Application and P.A.C.E. Bank's Application for Guaranty, any applicable attachments and the application fee. Requests for renewal of an existing VSBFA guaranty must be received by VSBFA for review prior to the expiration of the guaranty.



***Virginia Small Business Financing Authority/  
Virginia Department of Minority Business Enterprise  
Providing Access to Capital for Entrepreneurs  
Loan Guaranty Program***

**APPLICATION FOR P.A.C.E. GUARANTY**

Name: \_\_\_\_\_ Tax ID #: \_\_\_\_\_

Address: \_\_\_\_\_ Phone #: \_\_\_\_\_

Address: \_\_\_\_\_ Fax #: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ Contact: \_\_\_\_\_

County: \_\_\_\_\_ E-mail: \_\_\_\_\_

Legal Type:

C-Corporation ☐ S-Corp ☐ LLC ☐ Partnership ☐ LLP ☐ Proprietorship ☐ Individual ☐

Date company established: \_\_\_\_/\_\_\_\_/\_\_\_\_ SIC or NAIC: \_\_\_\_\_

Description of business: \_\_\_\_\_

Type of Project: Expansion ☐ New Business ☐ Transfer of Ownership ☐ Other ☐

Amount of request: \_\_\_\_\_

Purpose: \_\_\_\_\_

Collateral: \_\_\_\_\_

Guarantors: \_\_\_\_\_

Jobs saved as a result of this financing

Jobs created as a result of this financing

\_\_\_\_\_  
Year 1

\_\_\_\_\_  
Year 2

\_\_\_\_\_  
Year 1

\_\_\_\_\_  
Year 2

Average hourly wage rate per FTE \$ \_\_\_\_\_

***Schedule of Applicant's debts, leases, notes and mortgages (attach additional sheet if necessary).***

Creditor	Original Amount	Balance	Date of Loan	Maturity Date	Frequency	Payment Amount	Current? Yes/No	Collateral

List all owners, officers, directors and general partners of applicant and stockholders or limited partners owning 20% or more of applicant business. Also include persons or corporations that will guarantee loan (attach additional sheet if necessary).

Name	Address	Office Held	% of ownership

**Eligibility Requirements:**

Does the Applicant, including any parent or subsidiary corporation or affiliated entity, in Virginia have:

1. 250 or less employees? Yes ☐ No ☐ Current # \_\_\_\_\_
2. less than \$10,000,000 in annual gross revenues over each of the last three (3) fiscal years? Yes ☐ No ☐
3. less than \$2,000,000 in net worth? Yes ☐ No ☐

If the answer to any of the following questions is “yes”, please furnish details on an attached sheet.

1. Have any owners, officers, directors, guarantors, general partners, stockholders or limited partners owning 20% or more of the applicant ever been charged with, or convicted of, any criminal offense, other than minor motor vehicle violations? Yes ☐ No ☐
2. Has the applicant or management of the applicant been informed of any current or on-going investigation of the applicant with respect to possible violations of state or federal securities laws? Yes ☐ No ☐
3. Has the applicant or any owners, officers, directors, guarantors, general partners, stockholders or limited partners owning 20% or more of the applicant been in receivership or adjudicated as bankrupt? Yes ☐ No ☐
4. Is the applicant or any owners, officers, directors, guarantors, general partners, stockholders or limited partners owning 20% or more of the applicant involved in any pending lawsuits? Yes ☐ No ☐
5. Does the applicant or any guarantors owe past due federal, state or local taxes of any nature? Yes ☐ No ☐

The undersigned hereby certifies that all information contained above and all information contained in attachments which make up this loan application are true to her/his best knowledge and belief, and are submitted for the purpose of obtaining financial assistance from the Virginia Small Business Financing Authority.

Name of applicant: \_\_\_\_\_

By: \_\_\_\_\_  
Title
Date

The information requested below is voluntary and for statistical purposes only. It will not affect the credit decision of the VSBFA.

**Race:**

- ☐ Asian
- ☐ Black
- ☐ Hawaiian
- ☐ Pacific Islander
- ☐ Native American
- ☐ White

**Gender:**

- ☐ Male
- ☐ Female
- ☐ Male & Female

**Hispanic:**

- ☐ Yes



## Virginia Small Business Financing Authority P.A.C.E. Loan Guaranty Program

### **Bank's Application for P.A.C.E. Guaranty**

Note: Bank should review the applicant's VSBFA P.A.C.E. Application for Guaranty before submitting it to VSBFA to be sure it is complete and that it accurately describes the loan request and collateral offered. Since economic impact is an important criteria for VSBFA approval, the application should also include information regarding potential job creation.

1. Name of Account Officer: \_\_\_\_\_ Title: \_\_\_\_\_

Name of Bank: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Telephone # \_\_\_\_\_ Fax # \_\_\_\_\_ e-mail address \_\_\_\_\_

2. Name of Applicant Company: \_\_\_\_\_

3. **Guaranty Request Summary –**

*There is no maximum loan amount; however, the maximum aggregate guaranty available is \$50,000 or 90% of the loan amount, which ever is less.*

**Check one:** Original request for guaranty \_\_\_\_\_  
OR  
Request for renewal \_\_\_\_\_  
If this is a request for a renewal, when does the bank's present  
commitment from VSBFA expire? \_\_\_\_\_

*Note: Requests for renewal of an existing VSBFA guaranty must be received by VSBFA for review prior to the expiration of the guaranty. VSBFA prefers to limit subsequent line renewals to four annual renewals so that the maximum period of guaranty does not exceed five years.*

**Please specify:**

- Line of Credit Amount \$ \_\_\_\_\_  
Requested VSBFA Guaranty \_\_\_\_\_  
Expiration Date of Line of Credit \_\_\_\_\_  
(maximum 1 year commitment, up to 4 renewals allowed.)  
Interest Rate: \_\_\_\_\_% (fixed) or Prime + \_\_\_\_\_ (variable)
- Term Loan Amount \$ \_\_\_\_\_  
Requested VSBFA Guaranty \_\_\_\_\_  
Loan Term \_\_\_\_\_ months (maximum guaranty term is 60 months)

*Note: If loan will not be fully amortized in equal monthly installments over the term of the guaranty, please indicate specific terms (e.g., interest only for 6 months or 7-year payback with 5-year balloon):*

4. **Application Checklist:**

- Please attach:
- 1) The Bank must enclose a check for \$30 with the application payable to VSBFA to cover a non-refundable application fee.
  - 2) Copy of your commitment letter, if available
  - 3) Copy of your analysis, including a copy of financial statement spreadsheets, if available.

If no credit analysis was done, address each of the following seven areas as fully and completely as possible in a separate attachment. If this is a request for a renewal, please be certain to cover each of these items and, in addition, address why the bank feels VSBFA's guaranty is still needed.

- a. Brief summary of need for loan or line requested.
- b. Analysis of applicant's financial condition, examining balance sheet and income statement strengths, weaknesses and trends.
- c. Financial Statements – Provide at least 3 years historical income statements and balance sheets (if an existing business), including parents, affiliates and subsidiaries, current (within 90 days) financial statements of applicant business, proforma balance sheet (at startup), and at least 2 years of projected income, balance sheet and cash flow statements supported by a list of assumptions (monthly year one, quarterly year 2).
- d. Source(s) of repayment and analysis of cash flow adequacy.
- e. Collateral offered and lien position, and analysis of collateral adequacy.
- f. Credit reports of Applicant and principals, and Bank's credit experience with each.
- e. Current personal and/or corporate financial statements (not more than 90 days old) of all guarantors.
- g. Bank's terms and conditions for this loan, including any loan covenants.
- h. Bank's assessment of principals' experience and management ability.
- i. Steps the Applicant and the Lender can take to help the company strengthen sufficiently to qualify for conventional financing and the anticipated time the Applicant is expected to be in the Loan Guaranty Program.

#### 5. Bank Certifications:

We understand that VSBFA's P.A.C.E. Loan Guaranty Program is intended to assist small businesses in obtaining financing that would not otherwise be available to them without VSBFA's guaranty. We certify that the credit requested by the Applicant herein would not meet the Lender's lending criteria without VSBFA's guaranty.

We further understand that loans guaranteed through VSBFA's P.A.C.E. Loan Guaranty Program shall be in accordance with a P.A.C.E. Loan Guaranty Agreement between the Lender and VSBFA.

IN WITNESS WHEREOF, the undersigned, being duly authorized to do so, has signed this application.

Name of Bank \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_  
(Signature and Title)

**Virginia Small Business Financing Authority**  
**707 East Main Street, Suite 300**  
**Richmond, VA 23219**  
**Phone: 1-866-248-8814**  
**Fax: (804) 225-3384**

[www.vdba.virginia.gov](http://www.vdba.virginia.gov)

Look for us under "Financing"